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IN REPLY REFER TO

PQA 720.7.A.424

October 28, 2004  
04-PQA-059(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT:** Audit Guidance on Draft Report Referencing

This memorandum provides new audit guidance on the referencing required in the draft audit report.

**A. Background/Relevant References**

**1. Relevant GAGAS.** Paragraph 6.22 of the 2003 revision of the Government Auditing Standards (*Yellow Book*) presents the standard related to attest documentation for attestation engagements performed in accordance with GAGAS. It states:

Attest documentation related to planning, conducting, and reporting on the attestation engagement should contain sufficient information to enable an experienced auditor who has had no previous connection with the attestation engagement to ascertain from the attest documentation the evidence that supports the auditors' significant judgments and conclusions. Attest documentation should contain support for findings, conclusions, and recommendations before auditors issue their report. (Highlight added.)

**2. Relevant CAM Guidance.** The CAM guidance on draft report referencing is in section 4-403i(3). It says:

References: The working paper reference scheme should follow a "top-down" approach. Avoid referring from lower level working papers (i.e., detailed working papers) to higher level working papers (i.e., lead and summary working papers). As a minimum, reference the following:

- The summary results and notes in the draft audit report to the summary and lead working papers. (Highlight added.)
- Information in the summary working papers to the related lead working papers.
- Risk assessment/preliminary review working papers to the related detailed working papers.

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- The lead working papers to the detailed working papers.
- The detailed working papers to the next lower level of supporting working papers.

**3. Basis for New Guidance.** The CAM does not specifically require and, consequently, DCAA's auditors do not routinely reference in their draft audit reports or audit working papers, the source attest documentation for all of the significant judgments, findings, and conclusions that are included in the Agency's audit reports. The GAGAS requires such referencing. Examples of significant judgments, findings, and conclusions that currently are not routinely referenced, but should be, are noted in Section B below.

## **B. New Audit Guidance**

Effective immediately, in addition to the current requirement for auditors to reference the summary results and notes in the draft report to the summary and lead working papers (see A.2 above), auditors are required to provide references in their final draft reports to the source attest documentation for all of the significant judgments, findings, conclusions and recommendations that are included in the reports. This includes references to the source attest documentation supporting:

1. Statements in the report *Scope* section (generally the last paragraph in the *Scope* section) as to how the contractor's internal control systems affected the scope of audit (see CAM 10-210.3f). References to the applicable APPS section B working papers would be most typical.
2. All report qualifications (see CAM 10-210.4). The source documentation for such qualifications could be found in a number of places in the typical APPS working paper file, e.g., the "A" summary working papers, standard working paper "B-3" documenting assist audit activity, the lead working paper section covering assist audit activity, and/or the Government/contractor correspondence working papers.
3. The auditor's results. Specifically, the auditor is required to reference all significant judgments, findings, conclusions and recommendations in the *Results* section of the standard DCAA report to the "A" summary and lead working papers.
4. Matters significant enough to be included in the *Other Matters* section of DCAA reports (see CAM 10-213). A reference to a CAS audit assignment reporting a noncompliance for which the cost impact has not yet been determined could be one example.

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Please direct any questions or concerns you may have to your regional office. Regional offices may address their questions to Ms. Janis Lang, Program Manager, Quality Assurance Division (PQA) ,at (703) 767-2250 or e-mail address, [dcaa-pqa@dcaa.mil](mailto:dcaa-pqa@dcaa.mil).

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